

December 4, 2018

Hon. Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File 4- 725 -- Staff Roundtable on the Proxy Process

Dear Chairman Clayton,

The FAIRR Initiative is an investor coalition representing institutional investors with over \$10.5 trillion in combined assets. Our members are asset managers, pension funds, and other long-term institutional investors, including the Interfaith Center on Corporate Responsibility (ICCR).

As members of ICCR ourselves, we join ICCR and other long-term investors to express our affirmation of the current shareholder proposal process as effective, efficient and beneficial to both shareholders and the long term well-being of the companies they hold. ICCR and its members have been involved in the shareholder resolution process since 1971, giving them over 45 years of experience in shareowner engagement and the proxy process.

The history of ICCR demonstrates examples of hundreds of companies changing their policies and practices in light of constructive engagement with shareowners, including the filing of resolutions. The process has served as an invaluable tool to both shareholders and companies to bring to light emerging risks and facilitate the mitigation before they result in negative consequences.

While we do not file resolutions ourselves, resolutions from our investor members have been critical to ensuring that companies manage the operational and reputational risks that pose a threat to the long-term growth of investor portfolios.

We would like to reiterate some additional points:

- The current ownership threshold of at least \$2,000 worth of a company's shares allows a diversity of voices to be heard including smaller investors. The requirement of ownership for at least one year prior to filing a proposal ensures that investors cannot simply buy shares before the filing deadline and sponsor a resolution. Raising the ownership threshold threatens to exclude smaller investors, which is problematic and raises concerns about the equality of the system. Shareholders big and small can make and have made valuable contributions to the companies that they own.
- We believe the current thresholds provide a framework that has served the process well. Minimum votes of 3%, 6% and 10% in the first, second and third years, respectively, of filing a proposal have provided a reasonable amount of time for emerging issues to receive

increasing support among investors, while ensuring that only those proposals that garner meaningful support move forward and can appear in subsequent years.

Increasing thresholds could prevent important issues from being considered. There are many examples throughout the history of shareholder engagement of issues that initially received little support, but went on to be appreciated for the serious risks presented to companies that they produced. A case in point is the irresponsible use of antibiotics in livestock supply chains, detailed in the paragraphs below.

As you may know, the rising incidence of antibiotic resistance – a significant threat to the global economy – is a consequence of antibiotics misuse in both humans and animals. Most of all antibiotics, including antibiotics important to human health, are routinely administered to prevent sickness in healthy animals living in unsanitary conditions and as growth promoters. In the US, for example, over 60% of the antimicrobials sold are medically important.¹

The strong association between the overuse of antibiotics in animals and the spread of antibiotic-resistance to humans necessitates a significant change in corporate practices across livestock supply chains. Investors, including members of FAIRR and ICCR, have been leading engagements with companies to drive antibiotics stewardship practices. Resolutions have an an invaluable tool to increase awareness on this issue among institutional investors and to compel companies to act. Through collective advocacy, engagement and selective resolutions, investors have been successful at changing the practice of some of the largest food companies, including McDonald's, Sanderson Farms, Restaurant Brands International, etc. Without the use of resolutions, such progress would never have been achieved, with consequences that endanger antibiotics efficacy – the very foundation on which modern medicine currently operates.

In conclusion, we reiterate FAIRR's support of the shareholder proposal process as it is currently practiced under Rule 14a-8 and believe altering it risks the exclusion of voices that can be vital to this critical accountability tool. The filing of resolutions is a fundamental tenet of shareholder democracy that should be protected.

We appreciate this opportunity to provide input and look forward to providing additional written feedback following the Roundtable. Please feel free to contact me with any questions.

Sincerely,

Aarti Ramachandran

Head of Research and Corporate Engagement
FAIRR Initiative

¹ US Food and Drug Administration. 2014 Summary Report on Antimicrobials Sold or Distributed for Use in Food-Producing Animals.